



# CUB *Facts*

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Helpful information for Illinois utility consumers from the Citizens Utility Board

## The Facts on VoIP

### What is VoIP?

Voice Over Internet Protocol, or VoIP, is a type of telephone service that carries calls over the Internet. It used to be that such calls had to be made over an actual computer. (Internet phone company Skype Technologies SA still requires that.) However, recently developed versions of VoIP allow customers with a broadband (high-speed) Internet connection to use standard phones to call anyone, anywhere.

VoIP plans initially were marketed by little-known companies such as Vonage, Broadvox, and Voiceglo. Now, major companies, including AT&T, Verizon, and ComCast, are launching VoIP service bundled with broadband Internet service. VoIP plans can be attractive because they offer local, long-distance, and international calling plus extra features for a much lower price than traditional calling plans. That's because VoIP providers, at least for now, are charging their customers few or no taxes and surcharges. The technology is so new that state and federal officials have yet to decide if and how it should be regulated and taxed.

### What should I know about VoIP?

Despite its advantages, VoIP is not for everyone. Most importantly, you can't subscribe to VoIP service unless you first subscribe to broadband Internet service (NOT dial-up Internet service). That means buying cable-modem service or a Digital Subscriber Line (DSL) at an extra monthly cost of \$30 and up. If you have no use for a high-speed Internet connection, it makes no sense to get it just to subscribe to VoIP service.

### Is the sound quality different for VoIP?

Occasionally, the sound quality is not on par with tra-

### How does VoIP work?

Using a broadband Internet connection and a separate piece of equipment called an adapter (or a VoIP gateway), VoIP service converts your voice from analog information to digital information as it moves from your telephone to the Internet. Eventually, your voice is converted back to analog voice data as it travels from the computer network to the traditional phone network and ends at the telephone you are calling. (If you are calling another VoIP customer, the call never leaves the Internet.) Even though VoIP relies on the Internet, you can use the telephone at the same time you or another family member is surfing the Internet. Remember, you may have to pay an extra one-time fee for the adapter. Also, if you want all the phones in your home connected to the VoIP service, you'll have to take some extra steps in the installation process to make sure they're all working off the adapter.

ditional wired phone service, although some claim that this will change as the technology improves. While VoIP users report that the sound is adequate most of the time, it may falter if another household member is on the Internet while you're using the phone.

### How is 911 service different for VoIP?

Federal regulators have ordered Internet telephone companies to provide 911 service, but you should check with any VoIP company you're considering to get the details on what kind of 911 service

it offers and how it differs from traditional 911. The bottom line is that the 911 services offered by VoIP carriers are more vulnerable to errors and delays in getting you emergency assistance. VoIP 911 service cannot automatically determine your location as the traditional landline emergency service can. You have to register with the company the location of where you will be using the service—and remember to update that registration every time you're using the service in a new location. A 911 call will first go to the VoIP provider, which will check the location you registered and route that information to the appropriate authorities. This can be a cumbersome, mistake-prone process, especially if you are in an emergency that prevents you from giving your exact location.

### Are there other possible disadvantages?

You won't be able to make calls if there is a power outage (as with digital or cordless phones) or if, for some reason, your broadband Internet service is disconnected. And remember, even though you may no longer need a standard phone line to complete calls, you may have to keep one (and pay extra for it) if certain household products, such as a security system, rely on it.

As with any other calling plan, always quiz the company about its exact rates and any extra costs, such as an “activation fee.” Some VoIP providers even charge for incoming calls, as well as for the outgoing calls you make, just like cell phone companies.

### **Are there advantages unique to VoIP?**

The No. 1 advantage to VoIP is its low, flat, monthly price—if you already have a broadband Internet connection. Often included in that flat rate are the same features offered by traditional phone companies—such as voice mail, call waiting, and caller ID—and then some. For example, you can have faxes or phone messages that are sent to your home automatically forwarded to your work e-mail. Or, you can have a call to your home actually hunt you down, ringing other phone numbers—at work or on a cell phone—until you pick up the call.

Other potentially valuable features may cost extra. Some providers offer a “virtual” phone number—a second number in another area code. That means a Chicago caller could choose a number with the same area code of a close relative in another state or country, whose calls to Chicago then would be treated as local. Also, you could avoid high phone rates by taking your VoIP phone plan on vacations and business trips, with the help of a headset and a “softphone”—or software loaded onto a portable computer that has a broadband connection.

### **Why don't VoIP subscribers have to pay phone taxes?**

VoIP providers argue that because they rely less on the traditional phone network they shouldn't have to pay

access fees to the major local phone companies, like AT&T and Verizon, that own and maintain those lines. Also, these companies aren't yet required to directly contribute the local, state, and federal taxes and surcharges on traditional phone bills. For now, VoIP service is largely tax-free, although you may see bills carry a fee to cover the 3 percent federal excise tax as well as the universal service fund—a federal pot of money that helps pay for telecommunications services for rural and poor customers, hospitals, schools, and libraries.

### **Is VoIP a good deal?**

Like anything else in the phone market, it depends on what your telecommunications needs are. Because VoIP relies on broadband Internet, it's not ideal for the average consumer. However, it could be a good deal for broadband Internet households filled with callers who want a lot of extra bells and whistles. If you are interested in VoIP service and have broadband Internet, compare what you're paying now each month for phone service. Always call the company you're considering to verify all the rates and extra charges. Beyond price, consider other factors. For some consumers who have high-speed Internet service, VoIP's lack of traditional 911 service or its failings during a power outage may outweigh any price advantages. On the other hand, the lure of a “virtual number” may wipe out any disadvantages.

### **What is CUB?**

CUB is a nonprofit utility watchdog group created by the Illinois Legislature in 1983 to fight for the rights of electric, natural gas and telephone utility consumers across the state. If you have a question or complaint regarding your utility, call CUB's Consumer Hotline, at 1-800-669-5556, for free assistance.